



# Memorandum

TO: RULES COMMITTEE

FROM: Councilmember Sam Liccardo  
Councilmember Nancy Pyle

SUBJECT: Reducing the Fee Burden on  
Organizations Hosting Festivals and  
Events

DATE: October 26, 2009

APPROVED:

10/27/09

## RECOMMENDATION

Return to the Community and Economic Development Committee in November, or at the earliest opportunity thereafter, to identify strategies and policy changes to reduce the burdens of city fees on nonprofits, neighborhood organizations, and other sponsors of events.

## BACKGROUND

Festivals and events add vitality to our city, enliven and unify our neighborhoods, stir our collective pride, and help us to recognize what is unique about San José. Events also serve as crucial fundraisers—particularly in a time of declining donations, foundation grants, and government assistance—for our non-profit service and cultural organizations. They provide a sense of identity and community for neighborhoods and they often provide additional foot traffic for nearby restaurants and businesses. Those events produced by only six of downtown's established event producers bring more than 670,000 people to our core, provide \$22.5 million in economic impact, and generate more than 170 days of activity throughout the year. Particularly in times like these, we should make it as easy as possible to enable organizations to bring our residents and visitors together to celebrate, commemorate, and enjoy our wonderful city. They can also have more grass root impacts in neighborhoods by bringing residents together to activate neighborhood parks and streets.

Increasingly, we have heard concerns from non-profit leaders and event producers that the cost of city fees, shrinking city grants, and declining sponsorship revenue have made it difficult for organizations to continue to host events. Several events have been cancelled amid the 2009 downturn, and others might not return in 2010.

As fee-related complaints arise, the understaffed Office of Cultural Affairs (OCA) diligently and competently works to "negotiate down" requirements and fees with city departments such as Fire, Public Works, Parks, Police, and Transportation. Nonetheless, event producers often hear the message that city staff must abide by the fee schedules established in each year's budget, fees which are set in conformity with Council's policy of "full cost recovery".

The conversation should not end with the familiar refrain that relies upon "full cost recovery." It overlooks the fact that *many of these costs may not need to be incurred* in the first instance. While

our deficit-plagued budget should not subsidize events, it seems fair to ask whether the costs we're imposing are truly necessary.

Just a few anecdotes that illustrate the unintended consequences of some city policies:

- The Wesley United Methodist hosted a summer festival on its own parking lot, without the use of any city streets, sidewalks, or property, and seemingly no involvement of city staff. Nonetheless, council policy required the church to pay an \$800 fee to the city for a permit.
- The America Festival cancelled its event in 2009 as a result of declining sponsorships and city funding, but the city fees in the event add considerably to the burden—and to the obstacles--of bringing the America Festival back to downtown on July 4th of 2010. For example, the Festival producer must pay tens of thousands of dollars for Police and DOT management of the thousands of fireworks-gazers who congregate on city streets outside of the event's gates, even though their presence brings no revenue to the producer. Most fireworks watchers who gather in the streets outside the event gates think the fireworks are a free, city sponsored event.
- For small, free events, city fees and charges can account for disproportionately high percentage of an event's budget. For example, South First Fridays Street Market and Starlight Cinemas report city service costs as nearly 40% of their budget. Neighborhood-supporting events, such as the Northside/ Backesto Park Flea Market, pay even higher proportions of their costs to the city.

These are just some of the hurdles that event producers face. Fortunately, OCA staff has already started exploring several opportunities to shave costs for events in 2010. We encourage them to push forward with their efforts, and urge Council to take action no later than February of 2010, when many event producers need to make decisions about summertime events.

Among the alternatives which the OCA staff—and we—should consider include:

### **Cost Control**

- For neighborhood events, allow fees to be waived where the organization's leader signs a commitment to have volunteers perform simple tasks—such as park cleanup—for which the City is charging a fee. If the volunteers fail to perform the task adequately, then the fee can be assessed retroactively for city cleanup.
- For nonprofit or neighborhood events held on private property requiring no or little city staff involvement, eliminate the fees.
- Review police deployment models of secondary employment at events to avoid excessive staffing and use other city staff where they can perform the same task for less (e.g. Department of Transportation parking and traffic control officers).

- Eliminate minimum inspection durations where not mandated by union contracts, and engage with department heads to determine if inspections can occur during working hours to avoid overtime charges.
- Where liability-shifting provisions appear lawful and effective, minimize repeated city inspections of the same routine structures—such as tents—and merely incorporate an “assumption of liability” clause within the contract with the producer.
- Waive fees where no or negligible incremental cost arises to the City.
- Suspend the 5% gate fee for enclosing parks, such as at Cesar Chavez, so event producers can retain this revenue.

### **Revenue Generation**

- Consider increasing the current \$15 limit on the ticket price events can charge for gated events.
- Revise policies and guidelines, mainly in our parks, to allow for more revenue generating opportunities for event organizers (e.g. increase the number of vendor booths allowed in a park, and increase the potential number of fenced parks for which admission can be charged).

### **Park Use Regulation**

- Definitions associated with park use fees need review. For example, the definition of a “series” should be expanded so that events with a consistent schedule—even if not occurring on successive weeks—can benefit from a reduced “series” rate.
- Allow a larger window of time for post-event cleaning to occur, to permit a more flexible and cost-effective means of clean-up.
- Allow both for-profit and non-profit groups to activate public parks for events. Staff should examine a tiered pricing system, with consideration given to recognized neighborhood associations, and a preference for long-standing, recurring events.

We look forward to the results of the staff’s efforts and encourage appropriate discussion with the Arts Commission and Parks Commission.